



VOLUME III, NUMBER 6

NOVEMBER/DECEMBER 1997

DIRECT LOAN ANNIVERSARY CONFERENCE

March 7 to 9, 1998
Washington, D.C.

The William D. Ford Federal Direct Loan Program will mark five years of service to students and schools in March 1998. Plan to attend the *Direct Loan Anniversary Conference* in Washington, D.C. The conference will run from March 7 to 9, 1998, at the Sheraton Washington Hotel. You will have the opportunity to meet with fellow and prospective Direct Loan school administrators and Department of Education staff, learn about Direct Loan accomplishments, and share lessons from the past and innovations for the future.

A preliminary Response form was mailed to all Direct Loan schools on November 24 and 25, 1997. Return this form to let us know specific issues you would like to have addressed. Registration packets that include details about the sessions and how to register will be mailed to schools January 9, 1998.

The conference begins on Saturday morning and concludes on Monday afternoon at 2:00 pm. Hotel reservations can be made now by calling (202) 328-2900. Room rates are \$129 (single or double) plus tax. There is no conference registration fee.■

**NEW PHONE NUMBER FOR THE
ACCOUNTABILITY &
RECONCILIATION TEAM**
(202) 205-6466

DIRECT LOANS YEAR END REVIEW

As 1997 comes to an end, we want to extend our thanks for your continued support and understanding throughout a year marked by many changes and challenges for the Direct Loan Program. This has been an extraordinary year for direct lending, and your patience and encouragement have helped to facilitate our efforts to improve customer service and ensure that the Direct Loan delivery system continues to be streamlined and made simpler for schools and borrowers.

Our first initiative was implementation of **the new loan origination system**. We initiated a number of changes to the system to provide more accessible and responsive services to schools during each stage of the loan origination process. To better coordinate our services we established a team approach among our customer services units. We increased technical and program operations staff to research and resolve technology and policy related issues and established a permanent hot-line during the peak processing period.

The loan consolidation process was redesigned and improved to provide more efficient and timely service to our borrowers throughout the Direct Loan consolidation process. We established a better tracking system for applicant information, implemented an improved managerial structure and hired additional staff with expertise in financial services and student operations. Our greatest challenge and success was eliminating the inventory of pending consolidation applications and reducing the backlog by approximately 98 percent as of December 2.

The most recent innovation was the **redesign and expansion of the Direct Loan web site**. The site was redesigned to make it more user-friendly and easier to navigate and; expanded to provide more services and quicker access to information for borrowers and schools. The most recent additions to the site are interactive budget and repayment calculators. As of December 15, Direct Loan borrowers can also access their account information via the Direct Loan web site. *(Cont'd on page 2)*

POLICY UPDATE

Final Regulations Published in the *Federal Register* November 28, 1997

Effective Date: July 1, 1998

The final regulations eliminate certain differences in the requirements and provide clarification to four areas in the Federal Family Education Loan Program (FFEL) and Direct Loan Program regulations. The full text of the final regulations is available on the World Wide Web in text or portable document format (pdf) at <http://ges.ed.gov/fedreg.htm> or <http://www.ed.gov.news.html>.

Certifying or originating loans for students with a need of \$200 or less.

If a student has received a determination of need for a subsidized loan that is \$200 or less, a school may choose not to originate a subsidized loan for that student and include that amount as part of an unsubsidized loan. The final regulation reflects prior policy and reduces a school's burden by allowing the school to choose not to process a small subsidized loan along with an unsubsidized loan.

Refund of origination fees, insurance premiums, and loan fees.

The final regulations clarify procedures for applying a payment made by a borrower who is in repayment status and by a borrower who is not.

Exit Counseling requirements to help borrowers make an informed decision about loan repayment.

During exit counseling, a school is required to review repayment options with a borrower and to provide the borrower with debt-management options. Currently, FFEL schools are required to calculate monthly payments based on an average amount, and Direct Loan schools are required to calculate monthly payments based on the individual student's indebtedness. These regulations give the school the flexibility to choose the appropriate repayment counseling option that best meets its capabilities and is understandable for the student. For example, a school may base the calculation of the student's average anticipated monthly repayment amount on either the student's individual indebtedness or on the average indebtedness of students who have obtained loans for attendance at that school or who were in the borrower's program of study.

Discharge of a consolidation loan due to a total and permanent disability.

A borrower is eligible for a total and permanent disability discharge of a consolidation loan if he or she would have qualified for discharge on all of the loans included in the consolidation loan. Unlike current FFEL regulations, current Direct Loan regulations did not allow this type of discharge.

QUESTIONS AND ANSWERS

What date in the Direct Loan software determines the

date of loan origination?

The date of loan origination is the date all **required** information in the loan origination record is complete and accurate. Origination is not complete until the process/originate function is completed in EDEExpress. Because the "creation" date appears after the demographic information is input, some schools assume the information required for origination is complete. All required information must be input for the loan to be considered originated.

Does the loan origination record need to be transmitted in order to be originated?

No. As of July 1, 1996 transmission of a record is not needed to originate a loan.■

YEAR END 1997 (Cont'd.)

We are confident that the changes we implemented during 1997 will significantly improve our service to schools and borrowers. We look forward to working with you in 1998 as we celebrate the fifth year of direct lending. You have provided tremendous input and support to help us help you this past year. We close with encouraging words (from one of your colleagues) about 1997 and direct lending:

Phyllis K. Hooyman, Director of Financial Aid at Hope College, wrote in a December 12 letter to the editor of the Chronicle of Higher Education, "After three years of exponential growth, the Direct Loan Program is growing in a more deliberate way and this is a sign of maturity and strength, not weakness ...those of us who work with large computer systems understand the difficulties involved in transitions to new systems and the dislocations that result due to such transitions. Nevertheless, the 1997 fall term saw another successful start for direct lending. The transition to a new loan-origination center was transparent to our borrowers because of the simple, straightforward design of the program."

“...THE BEST YEAR FOR AMERICAN EDUCATION IN MORE THAN A GENERATION.”

Those were President Clinton's words as he signed P.L.105-78, the Labor, Health and Human Services, and Education Appropriations Act of 1998. At the same time, Direct Loan Program funding has increased to \$1.012 billion, up from \$775.6 million in 1997. This is very positive and encouraging news as we approach the fifth-year anniversary of direct lending.

In total, \$29.4 billion in discretionary funds is provided for the Department, an increase of \$3.1 billion, or almost 12 percent over the 1997 funding level of \$26.3 billion. \$9.0 billion is designated for Student Financial Assistance, including significant increases for the Pell Grant program. Other postsecondary education programs also received an increase in funding. In addition increases were provided for Technology Innovation and Technology Literacy Challenge Grants.

These increases in funding for Department of Education programs will ensure real improvements in American education at every level in the coming years.

Pell Grant funding increased by \$1.4 billion (24 percent) from \$5.9 billion in FY 1997 to \$7.3 billion in FY 1998. This increases the maximum Pell Grant to \$3,000 and the number of Pell recipients by 220,000. The \$300 increase in the maximum award is the largest in 20 years.

- ▶ Funding for **Campus-Based Programs** increased from \$1.5 billion in FY 1997 to \$1.6 billion in FY 1998. Overall, there was an increase of \$176 million:

- ▶ **Federal Supplemental Education Opportunity Grant** (FSEOG) funding increased \$31 million (5 percent) from \$583.4 million in 1997 to \$614 million in 1998.
- ▶ The **College Work Study** program was level funded at \$830 million. Maintaining the level of funding for this program advances the President's goal to serve one million students by the year 2000.
- ▶ For the **Perkins Loan Program**, Federal Capital Contributions were reduced from \$158 million to \$135 million for FY 1998 -- a reduction of \$13 million (8 percent) with an increase in loan cancellations from \$20 million to \$30 million.
- ▶ **Federal TRIO Programs** received an increase from \$500 million in FY 1997 to \$530 million in FY 1998. The increased funding for this program makes it possible for more low-income, first-generation college students to attend and complete college.

- ▶ The appropriations also includes an 86 percent increase for **Technology Innovation Challenge Grants** from \$57 million to \$106 million to support a wide range of innovative education strategies.
- ▶ Funding for the President's **Technology Literacy Challenge Fund** has more than doubled for FY 1998 from \$200 million in 1997 to \$425 million in 1998.

Two technical changes to assist borrowers were also included in the FY 1998 Appropriations --

- ▶ **Emergency Student Loan Consolidation Act of 1997.** This provision (section 609) was not included in either the House or the Senate bill. It amends the Higher Education Act to permit, until October 1, 1998, Federal Family Education Loan (FFEL) lenders to consolidate FFEL and Direct Student loans.
- ▶ **Treatment of tax credits related to the Hope Scholarship program.** Section 609 also revises the needs analysis requirements of the Higher Education Act to exclude the new Hope Tax Credit from the calculation of family income. This provision ensures that students will not be penalized (under the Internal Revenue Code) with a reduction in federal financial aid as a result of qualifying for and receiving the new Hope Tax Credit.

ANNOUNCEMENTS

DIRECT PLUS LOAN REPAYMENT CHART AVAILABLE

The Department recently published a new chart that provides an estimate of the amount a parent borrower might pay per month and in total under each of the three repayment plans that are available to PLUS borrowers. Payment amounts are based on the maximum 9 percent PLUS interest rate and are provided for debt levels ranging from \$2,500 to \$150,000 under the standard, extended, and graduated repayment plans. The chart also includes a brief description of each plan.

Call the Loan Origination Center at **(800) 848-0978** to order the **Direct PLUS Loan Repayment Chart**. You may also use the order form enclosed in the Direct Loan Bulletin 97-45. The chart and order form will also be available on the Direct Loan web site in the near future.■

ABOUT OUR NEWSLETTER

The Direct Loan Newsletter is published bi-monthly by:
Office of Student Financial Assistance
Direct Loan Task Force
U.S. Department of Education
600 Independence Avenue SW, Room 5042
Washington, D.C. 20202-5111

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Copies are available free of charge upon request from the Direct Loan Servicing Center, School Services Division,
1 (800) 848-0978

OR the Newsletter may be downloaded from the Internet at:
<http://www.ed.gov/DirectLoan/>

HELP US HELP YOU ACCEPTING APPLICATIONS FOR IPAs

The Direct Loan Task Force is seeking your knowledge and experience with the Direct Loan Program. We are recruiting individuals who are **very familiar with Direct Loan program operations from the institutional perspective to work for the Task Force in Washington, D. C.** as part of the Program Operations Team. Employees in school financial aid departments, business offices, and data processing offices at Direct Loan schools are encouraged to apply under the Interagency Personnel Act. We prefer a one-year commitment but will consider six to nine months.

Responsibilities will include: advising the Task Force about changes and improvements for program administration and implementation, reviewing requirements for origination and servicing of Direct Loans, assisting with school problem resolution, monitoring program administration by function, and assisting with coordination of program activity among the SFA service areas. If interested, please fax your resume to Marge White at (202) 401-3424 or mail it to the address in the box at left.■

NEW ON THE WEB FOR BORROWERS

<http://www.ed.gov/DirectLoan>

Direct Loan borrowers now have access to their account information via the Direct Loan Web site Student Financial Assistance page. This service was made available beginning December 15, 1997.■

ED/OPE 97-4